



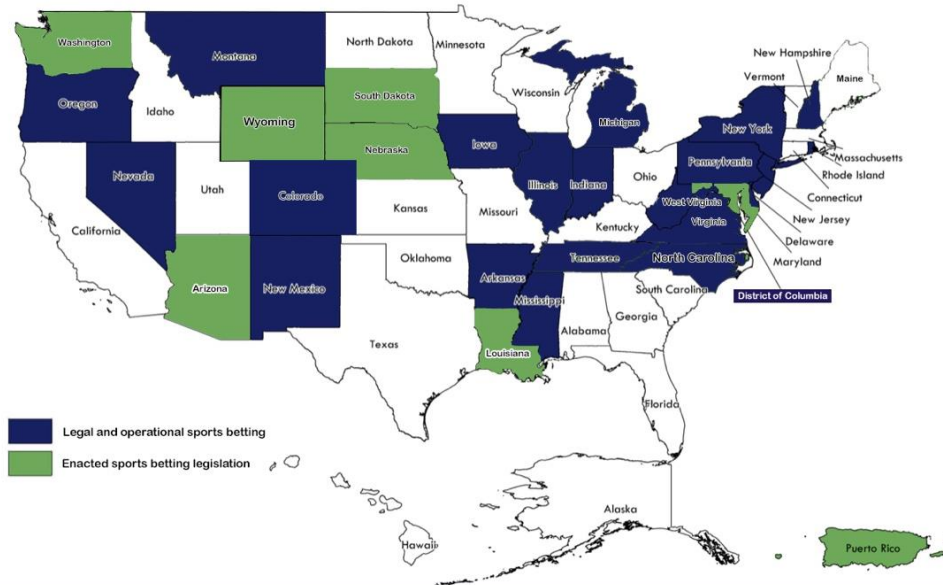
Global Market Advisors

LAS VEGAS DENVER BANGKOK

PASPA: U.S. Sports Betting Three Years Later – May 2021

Three years ago, the Supreme Court of the United States (“SCOTUS”) made a historic decision in *Murphy v. NCAA*, in favor of states’ rights and overturning the Professional and Amateur Sports Protection Act (“PASPA”). In this decision on PASPA, the Supreme Court has allowed sports betting to now spread across the country with operational sports books in 22 jurisdictions (21 states and the District of Columbia). There are eight other jurisdictions (seven states and Puerto Rico) where sports betting is legal, but legislators and regulators are working through the next steps to bring the total number to 30 jurisdictions that have pushed forward since the repeal of PASPA three years ago today. While some did not expect such a rapid expansion in such a short time, credit is due to Governor Chris Christie for initially pushing this effort on behalf of New Jersey. It was this initial legal effort that was the catalyst for public opinion to grow in favor of sports betting. Any assumptions that the overturning of PASPA was done by a public affairs effort, and not by the legal foundations or the arguments, discredits the judicial process and the legal framework associated with separation of powers in the United States.

Legal Status of Sports Betting in the United States



Source: Global Market Advisors

Over the last year, the United States and the world have faced many challenges due to the COVID-19 pandemic. The sports world helped bring some normalcy through these challenges. While the schedule was not always traditional, professional and amateur sports found a way to return to the field. After three years since the repeal of PASPA and with the schedule returning to normal, sports betting will continue to be a part of the discussion as the plurality of jurisdictions now have legalized and operationalized this additional form of gaming. To celebrate the occasion, DraftKings issued free bets worth \$5.14 to its users.

Sponsorships, media deals, and teams seeking direct access to sports betting licenses have dominated the discussions over the last year. The position of the sports teams and leagues over sports betting has continued to evolve. It was just three years ago that they wanted to impose an “integrity” fee to receive a percentage of sports betting handle. Now they are actively campaigning for direct access to sports books and sponsorships. This is in addition to the data feeds that in some cases are demanded through legislative terms, forcing private deals that ordinarily would occur through the natural course of business.

The latest major sponsorship deal with sports betting operators and leagues is the NFL deal with Caesars Entertainment, DraftKings, and FanDuel. While The Shield has been behind the curve on sports betting up until now, they upped their game with this recent announcement. This is in addition to recent deals that were announced for market access in Arizona that provided licenses to professional teams and venues. This includes Caesars with the Arizona Diamondbacks and DraftKings with the PGA. While these are good partnerships, the direct access to licenses can be problematic because of who actually holds the license; it is the team that actually has the access to the license, whereas the operating partner is the one that has faced suitability screening across multiple jurisdictions. The line is becoming blurred, and licensure should not be compromised just because these teams want a piece of the action. From the beginning, GMA has said that the biggest opportunity for sports teams and leagues remains in fan engagement and sponsorship, not in a direct feed from sports betting revenue.

Media deals continue to drive content and further engagement between these companies and various outlets. DraftKings just recently acquired VSIN. Bally’s deal with Sinclair has allowed them to rebrand each of the old Fox Regional Network stations under the Bally’s brand. All of these will further incorporate sports media and sports betting into an integrated experience. The key in the future will be providing multiple user experiences and the ability to stream content over multiple media platforms. Streaming rights and incorporating into each of these apps will be critical, and only a few players in the game right now have found the recipe to get this done on a global scale.



REVENUE GROWS

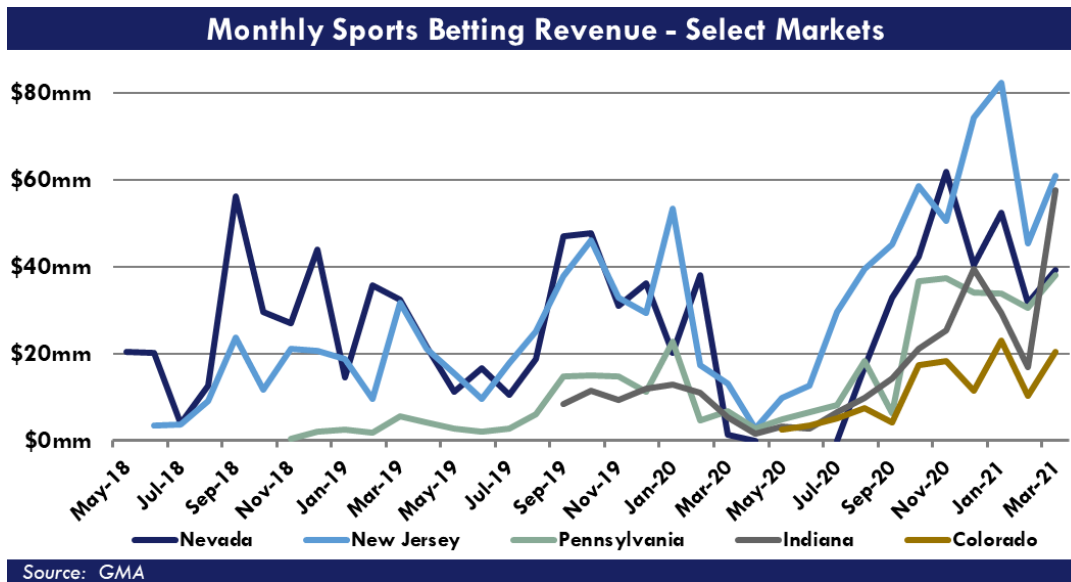
Revenue continues to grow across individual states. As new states come online with sports betting, they provide a comparison of how quickly these markets get out of the gate. Tennessee, which is the first mobile-only state, became the fastest state to reach \$1 billion in handle. Similar records will set in other states that still have to launch depending on how those markets are crafted including tax rates, numbers of licenses, and other key factors. While each state has certain specifics that will be unique to their own markets, that low and reasonable tax rates will create the best outcomes for states to recoup tax dollars from the illegal market.

| U.S. Sports Betting Comparables - Select Markets | | | | | | | | |
|--|-----------------------|---------------|----------------|--------|------------------------|-----------------------------|----------------------------------|------------------------------|
| State | Timeframe | Handle (\$MM) | Sports Betting | | Taxes Collected (\$MM) | Total Gaming Revenue (\$MM) | Sports Betting % of Total Gaming | Sports Betting Win per Adult |
| | | | Revenue (\$MM) | Hold % | | | | |
| Nevada | TTM Mar'21 | \$ 4,965.6 | \$ 326.7 | 6.6% | \$ 22.1 | \$ 7,775.6 | 4.0% | \$140.42 |
| Delaware | TTM Mar'21 | \$ 63.2 | \$ 10.9 | 17.2% | \$ 5.7 | \$ 279.0 | 3.8% | \$14.57 |
| New Jersey | TTM Mar'21 | \$ 7,361.4 | \$ 511.7 | 7.0% | \$ 63.3 | \$ 1,509.9 | 25.3% | \$75.41 |
| Mississippi | TTM Mar'21 | \$ 439.4 | \$ 55.3 | 12.6% | \$ 6.6 | \$ 2,015.2 | 2.7% | \$25.67 |
| West Virginia | TTM Mar'21 | \$ 315.0 | \$ 25.1 | 8.0% | \$ 2.5 | \$ 347.2 | 6.7% | \$18.37 |
| Pennsylvania | TTM Mar'21 | \$ 4,380.1 | \$ 257.9 | 5.9% | \$ 83.0 | \$ 1,956.2 | 11.6% | \$26.67 |
| Rhode Island | TTM Mar'21 | \$ 270.4 | \$ 42.7 | 15.8% | \$ 21.8 | \$ 298.9 | 12.5% | \$52.87 |
| Arkansas | TTM Mar'21 | \$ 42.0 | \$ 6.3 | 14.9% | \$ 0.8 | \$ 374.1 | 1.6% | \$2.83 |
| Iowa | TTM Mar'21 | \$ 881.0 | \$ 67.7 | 7.7% | \$ 4.6 | \$ 1,262.1 | 5.1% | \$29.34 |
| Indiana* | TTM Mar'21 | \$ 2,275.1 | \$ 228.4 | 10.0% | \$ 17.3 | \$ 1,213.2 | 15.8% | \$46.72 |
| Michigan* | TTM Mar'21 | \$ 213.8 | \$ 25.1 | 11.8% | \$ 2.1 | \$ 605.3 | 4.0% | \$3.37 |
| Illinois | TTM Mar'21 | \$ 3,606.5 | \$ 105.0 | 2.9% | \$ 15.7 | \$ 445.4 | 23.6% | \$11.16 |
| Colorado | Since Launch (May'20) | \$ 1,812.8 | \$ 124.1 | 6.8% | \$ 5.6 | \$ 595.5 | 17.2% | \$31.29 |
| New Hampshire | Since Launch (Jul'20) | \$ 422.4 | \$ 28.7 | 6.8% | \$ 13.2 | N/A | N/A | \$36.45 |
| Washington D.C. | Since Launch (Jul'20) | \$ 94.9 | \$ 13.9 | 14.6% | \$ 1.4 | N/A | N/A | \$33.86 |
| Tennessee | Since Launch (Nov'20) | \$ 131.4 | \$ 13.2 | 10.1% | \$ 2.4 | N/A | N/A | \$31.58 |
| Virginia | Since Launch (Jan'21) | \$ 628.7 | \$ 42.4 | 6.7% | \$ 1.5 | N/A | N/A | \$26.78 |
| Average Without Nevada | | | | 6.8% | | | 13.6% | \$27.48 |

Source: Global Market Advisors
* excludes tribal gaming revenues

The sports calendar is beginning to stabilize and return to normal. While it will still at least take a year to get back to a fully stabilized year, states continue to see significant levels of sports betting revenue. The scheduling last year, which included a shortened and modified football season with an overlay of a Kentucky Derby and The Masters amongst other events, will likely never happen again. The following chart illustrates monthly sports betting revenues since the repeal of PASPA in key sports betting markets.





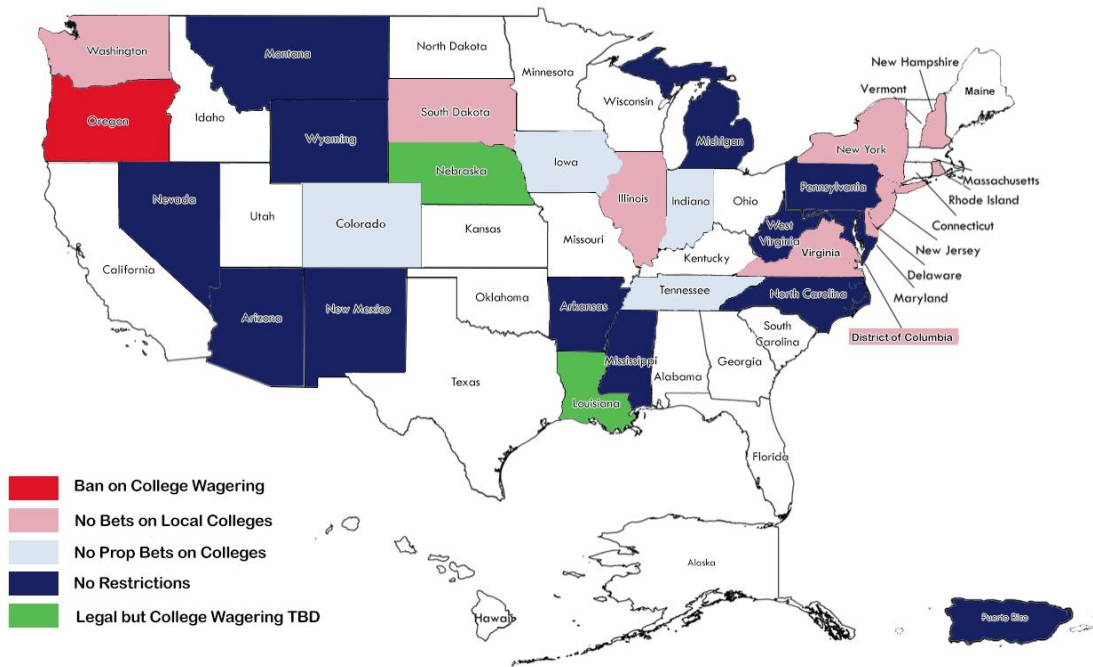
Reflecting upon the last three years, the industry will continue to evolve with the continued blurring of lines between operators, teams, leagues, and media companies. GMA continues to monitor both existing and emerging markets and has completed numerous studies across the country for operators, tribal organizations, associations, and governments. There are many important and unique considerations as new markets look to legalize sports betting, including but not limited to tax rates, licenses and fees, mobile and online wagering, and consumer protections to craft the right model for a given market. However, anything above a 15 percent blended tax rate can make it difficult for sports betting operators to effectively compete in the market.

ILLEGAL BOOK 1, COLLEGE WAGERING 0

One issue that continues to be debated across the country is what to do with college-level wagering. This includes whether or not to allow wagers on the home team and/or events, to restrict some of the wagers on the home team and/or events, or to ban college wagering across the board, as the state of Oregon has done. Some of the initial debate on this surrounds New Jersey that still does not feature local college athletics (including Rutgers, Princeton, and others) from the original 2012 ballot initiative after pollsters said this was needed to pass with the voters. The New Jersey Legislature is currently bringing forward a constitutional amendment to eliminate this provision, and other states should do that same. New Jersey learned that this provision only leaves the illegal books in control of this market. Nearly a dozen states have some level of restriction put into place on college wagering.



Sports Betting in the United States



Source: Global Market Advisors

During legislative debates on these issues, legislators grapple with the thought of wagering on college athletes who may themselves be under 21 years old. All of these athletes are already at one of the highest levels of their sport. In the case of the many of these athletes, they will also begin to earn revenue off of their name, image, and likeness (“NIL”). The NIL movement has passed legislation in a half-dozen states, and recently, the NCAA has addressed this issue saying that it will move forward with implementing a system to allows athletes to do so. This begs the question of whether theses student-athletes, some of which may be under 21, should be allowed to make money off their name, image, and likeness which is due in part to their performance on the field. The same principle should hold for legal books. College athletics is a business; it has been some time since these schools have truly focused on the academic mission and not the profits that could be reaped through these student athletes.

Nearly every state and jurisdiction will continue to discuss what sports betting may look like within their jurisdictions. Each state provides a unique environment that dictates on how they regulate their own market. Integrity first and foremost occurs in the laws and regulations set forth by these states to address their individual needs. This remains the best form of action against the illegal sport betting activity that goes on today. This includes allowing wagering on college athletics to shed light on a market that has sat in darkness for years. By taking colleges



off the legal books, it only allows the illegal market to flourish and puts student-athletes, the NCAA, and its member institutions at further risk.

THE ROAD AHEAD

Since the start of 2021, numerous states have legalized or passed enabling legislation for sports betting. Some of these include those that passed it by the will of the voters last November in Maryland, Louisiana, South Dakota, and Nebraska; only Louisiana and Nebraska still have to pass their enabling legislation. Other states have modified their existing structure, such as New York that moved to allow mobile wagering, while others such as Arizona and Wyoming became the next two states that have crafted policy to legalize from the start. However, not all of these are creating the best conditions to create a dynamic and competitive market to compete against the legal market, legalization continues to push forward.

While other legislatures continue their debates as their sessions roll on, it is essential that legislators and staff look toward best practices and not reinvent the wheel. This includes the regulatory portion as well and attracting strong and viable stakeholders that understand good policy and regulation to compete in a strict environment that combats the illegal market and only allows the best operators into the legal market.

As stakeholders reflect on the past three years since the repeal of PASPA, the future continues to look bright for sports betting and the continued push into mobile and online gaming. The past three years have moved faster than some expected, but it is only in the beginning as the market continues to mature. As the United States looks at the potential for over 50 unique markets, it is important to realize that the reason the industry is where it is at today is because of states rights and the fortitude that New Jersey and SCOTUS had in pushing forward with a case to appropriately address those points based on the law of the land. However, taking the next steps at the state level is just as important to craft an ideal market to compete with the existing black market. States only have one chance to do this right. Taking the time to do it appropriately the first time is key to creating a strong, competitive market through strict regulations with the right consumer protections.



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